

# Principal Australian Equity Fund

(formerly known as CIMB-Principal Australian Equity Fund)

Annual Report

For the Financial Year Ended 30 September 2020

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

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## INVESTORS' LETTER

Dear Valued Investor,

Volatility has always been part of investing. Markets aren't more volatile than they've been in recent years. I would say the difference now is how quickly risks - may it be an announcement from the Government, a possible pandemic, or simply a tweet - can appear to affect the equity market. The roadmap to recovery will continue to be driven by supportive stimulus post US election, successful vaccine trials and the broadening recovery in China and other parts of Asia. Thus, focusing on your long-term investment plan can be one way to counteract the stresses of volatility. Eventually, markets will learn to separate noise from true information and adapt to the speed of information. It just takes time.

Our commitment to you remains steadfast. We are not advocating short-term, reactive investment decisions. A practical investment approach is generally based on a long-term view and your time horizon. Here are a few things to keep in mind:

### **1. Stay the course.**

Remember volatility, isn't just markets dropping. It's movement. Markets can move up or down and this can create opportunities for long-term growth.

### **2. Review your goals, risk tolerance, and time horizon.**

It's important to make sure your portfolio diversification continues to be in line with your long-term goals and matches your risk tolerance preferences.

### **3. Keep investing.**

There is always a good time to invest. Invest whenever you can.

We continue to prefer equities over fixed income and remain Positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. For our:

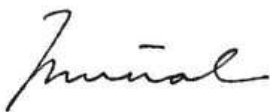
- **Conservative investors, we recommend:** Malaysia focus bond funds and regional balanced funds that are income focused.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN, Global Technology and Malaysian aggressive funds.

Please continue to check out our website (<http://www.principal.com.my>) and Facebook account (@PrincipalAssetMY) for our latest insights and investment articles.

Please be informed that effective 17 April 2020, the Fund has been renamed as Principal Australian Equity Fund following the issuance of the Replacement Master Prospectus.

We appreciate your continuous support and the trust you place in us. And, we're happy to share that we recently won four awards at the iFAST Awards Night 2020 and another eight awards from the Private Pension Administration ("PPA").

Yours faithfully,  
for **Principal Asset Management Berhad**



**Munirah Khairuddin**  
Chief Executive Officer

## **MANAGER'S REPORT**

### **FUND OBJECTIVE AND POLICY**

#### **What is the investment objective of the Fund?**

The Fund aims to achieve medium to long-term capital appreciation predominantly through investment in a portfolio of Australian securities.

#### **Has the Fund achieved its objective?**

For the financial year under review, the Fund has underperformed its stated benchmark. However, the Fund continues to be in line with its objective of achieving long term capital growth.

#### **What are the Fund investment policy and principal investment strategy?**

In order to achieve its objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the Schroder Australian Equity Fund ("Target Fund"); an Australian-domiciled fund established on 3 March 1964 which invests in Australian equities, with an emphasis on investments in companies with sustainable competitive advantage in the long-term.

The asset allocation strategy for this Fund is as follows:

- At least 95% of the Fund's NAV will be invested in the Target Fund; and
- Up to 5% of the Fund's NAV will be invested in liquid assets for liquidity purposes.

#### Information on the Target Fund:

Investment Manager/Management Company: Schroder Investment Management Australia Limited  
Regulatory Authority: Australian Securities and Investments Commission

#### **Fund category/type**

Feeder Fund/Growth

#### **When was the Fund launched?**

20 March 2010

#### **What was the size of the Fund as at 30 September 2020?**

RM8.20million (22.55 million units)

#### **What is the Fund's benchmark?**

The Fund adheres to the benchmark of the Target Fund, ie. Standard & Poor's ("S&P")/Australian Securities Exchange 200 ("ASX200") Accumulation Index.

Note: The benchmark is for performance comparison only.

#### **What is the Fund distribution policy?**

The Manager has the discretion to distribute part or all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the performance of the Fund.

#### **What was the net income distribution for the financial year ended 30 September 2020?**

There was no distribution made for the financial year ended 30 September 2020.

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
(formerly known as CIMB-Principal Australian Equity Fund)

**PERFORMANCE DATA**

Details of portfolio composition of the Fund for the last three financial years are as follows:

	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	%	%	%
Collective investment scheme	98.71	98.61	100.22
Cash and other net assets	1.29	1.39	(0.22)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three financial years are as follows:

	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
NAV (RM Million)	8.20	12.05	13.26
Units in circulation (Million)	22.55	29.26	33.11
NAV per unit (Million)	0.3638	0.4119	0.4003
Highest NAV per unit (RM)	0.4269	0.4213	0.4140
Lowest NAV per unit (RM)	0.2578	0.3458	0.3672
Total return (%)	(11.74)	2.80	0.10
- Capital growth (%)	(11.74)	2.80	0.10
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	2.09	1.92	1.52
Portfolio Turnover Ratio ("PTR") (times) #	0.38	0.47	0.75

^ The Fund's MER increased from 1.92% to 2.09% due to decrease in average NAV during the financial year under review.

# The Fund's PTR stood at 0.38 times, lower than the previous reporting data of 0.47 times, mainly due to lesser trading activities during the financial year under review.

	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	%	%	%	%	%
Annual total return	(11.74)	2.80	0.10	16.12	12.11

(Launch date: 20 March 2010)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial year have been extracted from Lipper.

## **MARKET REVIEW (1 OCTOBER 2019 TO 30 SEPTEMBER 2020)**

The ASX200 Accumulation Index recorded a negative growth of 13.4% during the 1-year period under review.

ASX200 Accumulation Index performance was muted in October 2019, only rising 0.85% in local currency terms. During the month, the health care sector had a stellar performance while the information technology ("IT") sector was the worst performing after WiseTech Global Ltd and Afterpay Ltd fell more than 20% during the month on short seller report for WiseTech Global Ltd and potential regulatory scrutiny for Afterpay Ltd. On a currency level, the Australian dollar ("AUD") was almost flat, appreciating by 0.5% to AUD/US dollar ("USD") 0.6764.

Overall, the ASX200 Accumulation Index recorded a gain of 2.7%, which saw the Index close November 2019 just short of the all-time high. During the month, IT and health care sectors continued to perform strongly. Afterpay Ltd, Computershare Ltd, Xero Ltd were best performers in the IT sector. On the other hand, financial sector was hit hard month to date with capital raisings and Australian Transaction Reports and Analysis Centre ("Austrac")'s civil proceedings against Westpac Banking Corporation. Meanwhile, the AUD depreciated by 1.9% to AUD/USD 0.6760.

ASX200 Accumulation Index fell by 0.9% in local currency terms in December 2019. The 10-year bond yield has steadily rose from 1.034% to 1.307%. During the month, materials and utilities are the only sectors that posted positive returns, while consumer staples and real estate declined the most. Year-to-date ("YTD"), health care and IT sectors are the best performing while utilities and financial sectors are the worst performing. In addition, the AUD appreciated by 3.3% to AUD/USD 0.6989.

ASX200 Accumulation Index started off the year on a positive note, with an increase of 5% in local currency terms in January 2020. The ASX200 Accumulation Index markedly outperformed the MSCI All Country World Index ("ACWI"), which fell by 1.2% as escalating coronavirus concerns weighed on global sentiment. Note that the increase for the month was mainly led by the health care and IT sectors. Meanwhile, the AUD depreciated by 4.7% to AUD/USD 0.6692.

ASX200 Accumulation Index fell by 7.7% in local currency terms in February 2020. Note that every Australian Global Industry Classification Standard ("GICS") sector was down in February 2020, with health care (-3.8%) suffering the least, while energy (-18.2%) was the hardest hit as oil prices fell and liquefied natural gas ("LNG") supply contract risk escalated. On a currency level, the AUD depreciated by 2.6% to AUD/USD 0.6515.

ASX200 Accumulation Index plunged 23.1% in local currency terms in March 2020, led by energy, real estate. Note that the negative returns in March 2020 marks the worst monthly performance since October 1987. The only positive note for the month was on a YTD basis, only health care sector's return is positive. Meanwhile, the steep decline in energy sector is precipitated by the sharp fall in oil price. The real estate sector fell sharply too despite the fall in interest rate due to the balance sheet concerns which led to potential equity raising fears. Lastly, the AUD depreciated by 6.3% to AUD/USD 0.6105.

ASX200 Accumulation Index bounced by 8.8% in local currency terms in April 2020, after a significant plunge of more than 20% in March 2020. This rebound was led by energy, IT and consumer discretionary, while consumer staples and utilities lagged. AUD appreciated by 6.2% to AUD/USD 0.6512 to back to end February 2020 level. During the month, the spread of Coronavirus 2019 ("COVID-19") was more contained in Australia with only less than 1000 active cases as of end of month.

ASX200 Accumulation Index continued to recover 4.23% in local currency terms in May 2020. This rebound was led by IT, communication services and materials, while health care and consumer staples lagged. The economy started to open up gradually since beginning of May 2020 and to fully reopen all businesses by July 2020. During the month, unemployment rate jumped from 5.2% to 6.2% in the month of April 2020 with the biggest hit being the tourism sector.

**MARKET REVIEW (1 OCTOBER 2019 TO 30 SEPTEMBER 2020) (CONTINUED)**

ASX200 Accumulation Index rose by another 2.5% in month of June 2020 in local currency terms. This rebound was led by IT, consumer discretionary and consumer staples, while real estate and energy sectors lagged. First quarter of 2020 gross domestic products (“GDP”) growth was better than expected. Public demand and net exports contributed positively to the GDP growth while private consumption and business investment were a drag. The savings ratio of Australian households jumped from 3.6% in fourth quarter of 2019 to 5.5% in first quarter of 2020. Disposable income increased due to social assistance benefits arising from COVID-19 and bushfire claims. There has been some upward revision in GDP forecasts for second quarter of 2020 and for the year due to the earlier than expected easing in restrictions. Consumer and business sentiment continued to improve. Unemployment rate has jumped to 7.1%, it was expected that the unemployment may peak at 10%. Number of COVID-19 cases increases again in Victoria and there is targeted lockdown in infection clusters till 29 July 2020.

ASX200 Accumulation Index rose another 0.5% in month of July 2020 in local currency terms, led by materials and IT sectors while energy and health care sectors were detractors. AUD appreciated by 3.5% to AUD/USD 0.714. The strength of the AUD may be attributed to the strength of the iron ore which has been above USD100/ton since beginning of July 2020. Victoria has declared a state of disaster on 2 Aug 2020 and imposed nightly curfew for Melbourne as part of 6 weeks lockdown. Melbourne will move to Stage 4 restrictions given the high level of community transmission, closed schools and only allowed to go out for essential items within the same 5 km radius. Outside of Melbourne, people are only allowed to leave home for work, study and essential shopping and delivery or takeaway only for restaurants and cafes.

ASX 200 Accumulation Index rose by 2.8% in local currency terms in August 2020, led by IT and consumer discretionary sectors while utilities and communication services were detractors. AUD appreciated by another 3.3% to AUD/USD 0.7376. The strength of the AUD may be attributed to the strength of the iron ore which stayed above USD120/ton since mid-August 2020 as well as the US Federal Reserve (the “Fed”)’s changed stance on inflation. The number of new cases has been coming down after the lockdown was instituted in Melbourne and movement restriction in Victoria. The Fed and many leisure businesses have been calling for the states to recommit to a national coordinated plan to re-open their borders and economies. Currently, Queensland and Western Australia are still closed to other Australian states.

ASX200 Accumulation Index declined by 4% in the month of September 2020 in local currency terms, led by energy and consumer staples sectors while health care is the only sector that posted positive returns. YTD, IT, health care, materials and consumer staples posted positive returns, whereas energy, financial sectors and real estate and slumped by 44.5%, 25% and 19% respectively. AUD depreciated by 2.9% to AUD/USD 0.7162.

**FUND PERFORMANCE**

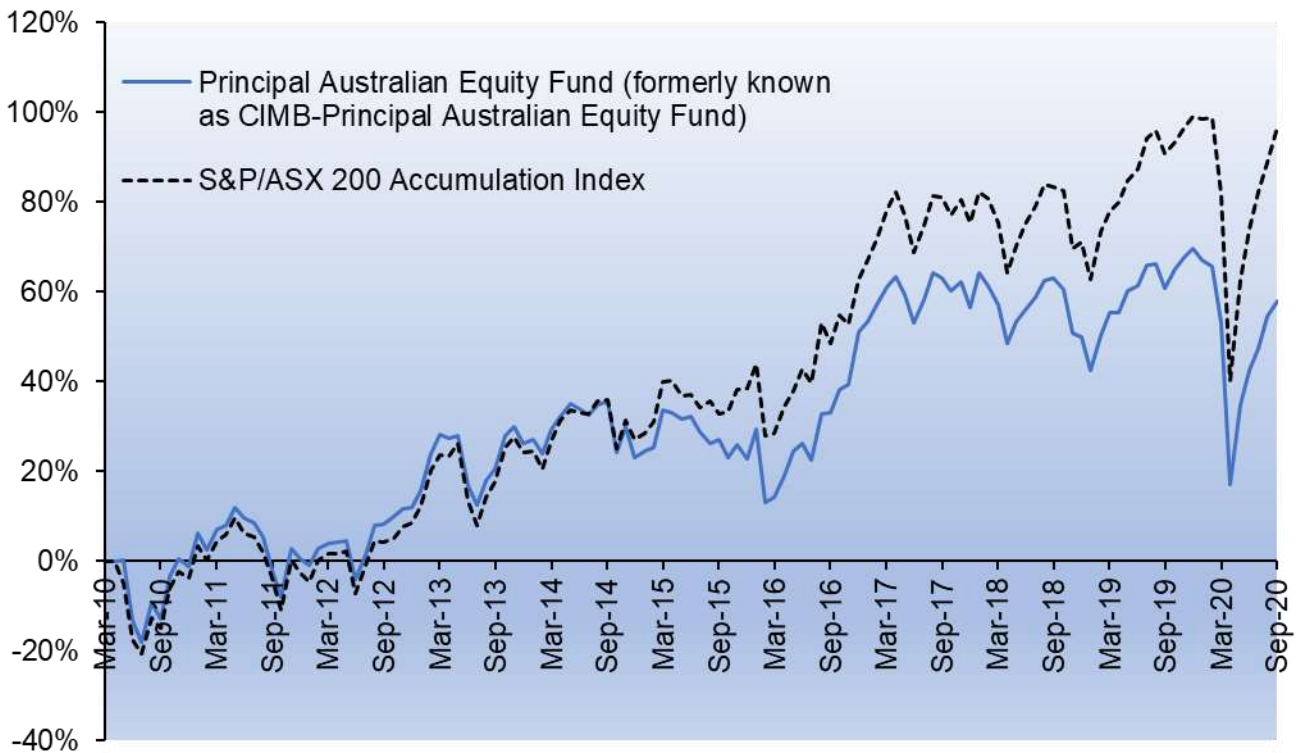
	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since inception</b>
	<b>to 30.09.2020</b>	<b>to 30.09.2020</b>	<b>to 30.09.2020</b>	<b>to 30.09.2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	-	-	-	-
Capital Growth	(11.74)	(9.18)	18.24	45.59
Total Return	(11.74)	(9.18)	18.24	45.59
Benchmark	(5.30)	3.46	37.29	83.23
Average Total Return	(11.74)	(3.16)	3.41	3.63

For the financial year under review, the Fund decreased by 11.74% underperforming the benchmark which decreased by 5.30%. The weakness in performance is in line with the market as described under the Market Review portion of this report.



**PRINCIPAL AUSTRALIAN EQUITY FUND**  
(formerly known as CIMB-Principal Australian Equity Fund)

**FUND PERFORMANCE (CONTINUED)**



**Changes in NAV**

	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>Changes %</b>
NAV (RM Million)	8.20	12.05	(31.95)
NAV/Unit (RM)	0.3638	0.4119	(11.68)

For the financial year under review, total NAV fell by 31.95%, while the NAV per unit also declined by 11.68%. The fall in the total NAV was due to the total net redemption and the decline in NAV per unit was due to investment performance over the one-year period.

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial year have been extracted from Lipper.

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Collective investment scheme	98.71	98.61
Cash and other net assets	1.29	1.39
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for liquidity purposes.

## MARKET OUTLOOK\*

We expect the upcoming months to remain volatile with little visibility on outlook. Financial intermediaries such as banks and insurers, particularly the former, seem likely to remain in difficult positions, as they are pressured to lend money to those unlikely to be able to repay it, just for the sake of the Central Bank wanting to keep credit flows. Nevertheless, we remain confident prospects across the real economy in resources, energy, and industrial business, many of which remain at reasonable valuations courtesy of the extremely narrow market leadership.

\* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Asset Management Berhad ("Principal Malaysia") or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

## INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes. Our asset allocation decision will continue to be subject to market conditions.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2020 are as follows:

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	4	0.01	0.04
5,001-10,000	10	0.07	0.31
10,001-50,000	28	0.74	3.28
50,001-500,000	23	3.21	14.24
500,001 and above	5	18.52	82.13
<b>Total</b>	<b>70</b>	<b>22.55</b>	<b>100.00</b>

## SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the "Manager") and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commissions in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

We, being the Directors of Principal Asset Management Berhad (the “Manager”), the accompanying audited financial statements set out on pages 14 to 37 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2020 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

**Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))**

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer/Executive Director

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
12 November 2020

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND**  
***(formerly known as CIMB-Principal Australian Equity Fund)***

We have acted as Trustee of Principal Australian Equity Fund *(formerly known as CIMB-Principal Australian Equity Fund)* ("the Fund") for the financial year ended 30 September 2020. To the best of our knowledge, Principal Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Vicknesan Balakrishnan  
Chief Executive Officer

Kuala Lumpur  
12 November 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND  
(formerly known as CIMB-Principal Australian Equity Fund)**

**REPORT ON THE AUDIT FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of Principal Australian Equity Fund (*formerly known as CIMB-Principal Australian Equity Fund*) (the "Fund") give a true and fair view of the financial position of the Fund as at 30 September 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 37.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**  
**(formerly known as CIMB-Principal Australian Equity Fund)**

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**  
**(formerly known as CIMB-Principal Australian Equity Fund)**

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
12 November 2020



**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 RM	2019 RM
<b>(LOSS)/INCOME</b>			
Dividend income		345,495	423,229
Interest income from deposits with licensed financial institutions		777	241
Net (loss)/gain on financial assets at fair value through profit or loss	7	(1,369,408)	58,915
Net foreign exchange loss		(14,985)	(19,035)
		(1,038,121)	463,350
<b>EXPENSES</b>			
Management fee	4	185,726	228,719
Trustee fee	5	8,255	10,165
Audit fee		9,300	9,300
Tax agent's fee		4,100	4,200
Other expenses		9,848	(3,462)
		217,229	248,922
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(1,255,350)	214,428
Taxation	6	-	-
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		(1,255,350)	214,428
 (Loss)/Profit after taxation is made up as follows:			
Realised amount		266,739	296,106
Unrealised amount		(1,522,089)	(81,678)
		(1,255,350)	214,428

The accompanying notes to the financial statements form an integral part of the audited financial statements.

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

	Note	2020 RM	2019 RM
<b>ASSETS</b>			
Cash and cash equivalents	8	129,263	188,297
Financial assets at fair value through profit or loss	7	8,099,070	11,887,587
Amount due from Manager		-	4,519
Amount due from Manager of collective investment scheme:			
- Disposal of collective investment scheme		59,144	-
<b>TOTAL ASSETS</b>		<b>8,287,477</b>	<b>12,080,403</b>
<b>LIABILITIES</b>			
Amount due to Manager		62,401	1,031
Accrued management fee		8,275	11,995
Amount due to Trustee		566	794
Other payables and accruals		11,600	11,600
<b>TOTAL LIABILITIES</b>		<b>82,842</b>	<b>25,420</b>
<b>NET ASSET VALUE OF THE FUND</b>		<b>8,204,635</b>	<b>12,054,983</b>
<b>EQUITY</b>			
Unit holders' capital		4,379,120	6,974,118
Retained earnings		3,825,515	5,080,865
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>8,204,635</b>	<b>12,054,983</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>9</b>	<b>22,547,223</b>	<b>29,263,917</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<b>0.3638</b>	<b>0.4119</b>

The accompanying notes to the financial statements form an integral part of the audited financial statements.

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

	<b>Unit holders' Capital RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
<b>Balance as at 1 October 2019</b>	6,974,118	5,080,865	12,054,983
Movement in unit holders' contributions:			
- Creation of units from applications	4,873,399	-	4,873,399
- Cancellation of units	(7,468,397)	-	(7,468,397)
Total comprehensive income for the financial year	-	(1,255,350)	(1,255,350)
<b>Balance as at 30 September 2020</b>	<u>4,379,120</u>	<u>3,825,515</u>	<u>8,204,635</u>
<b>Balance as at 1 October 2018</b>	8,389,681	4,866,437	13,256,118
Movement in unit holders' contributions:			
- Creation of units from applications	5,316,516	-	5,316,516
- Cancellation of units	(6,732,079)	-	(6,732,079)
Total comprehensive income for the financial year	-	214,428	214,428
<b>Balance as at 30 September 2019</b>	<u>6,974,118</u>	<u>5,080,865</u>	<u>12,054,983</u>

The accompanying notes to the financial statements form an integral part of the audited financial statements.

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of collective investment scheme		5,027,924	6,659,667
Purchase of collective investment scheme		(2,731,912)	(5,271,087)
Dividend income received		343,607	418,420
Interest income received from deposits with licensed financial institutions		777	241
Management fee paid		(190,826)	(230,578)
Management fee rebate received		59,505	73,322
Trustee fee paid		(8,483)	(10,246)
Payments for other fees and expenses		(21,360)	(21,321)
Net realised foreign exchange (loss)/gain		(2,229)	4,613
<b>Net cash generated from operating activities</b>		<u>2,477,003</u>	<u>1,623,031</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		4,877,918	5,313,102
Payments for cancellation of units		(7,407,027)	(6,736,754)
<b>Net cash used in financing activities</b>		<u>(2,529,109)</u>	<u>(1,423,652)</u>
Net (decrease)/increase in cash and cash equivalents		(52,106)	199,379
Effects of foreign exchange differences		(6,928)	(28,278)
Cash and cash equivalents at the beginning of the financial year		188,297	17,196
Cash and cash equivalents at the end of the financial year	<b>8</b>	<u>129,263</u>	<u>188,297</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		129,263	188,297
Cash and cash equivalents at the end of the financial year	<b>8</b>	<u>129,263</u>	<u>188,297</u>

The accompanying notes to the financial statements form an integral part of the audited financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Australian Equity Fund (*formerly known as CIMB-Principal Australian Equity Fund*) (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Seventh Supplemental Master Deed dated 11 February 2010, a Thirteenth Supplemental Master Deed dated 26 June 2012, an Eighteenth Supplemental Master Deed dated 25 March 2015 and Twentieth Supplemental Master Deed dated 21 October 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

In order to achieve its objective, the Fund will invest at least 95% of its NAV in the Target Fund; an Australian-domiciled fund established on 3 March 1964 which invests in Australian equities, with an emphasis on investments in companies with sustainable competitive advantage in the long-term.

The asset allocation strategy for this Fund is as follows:

- At least 95% of the Fund’s NAV will be invested in the Target Fund; and
- Up to 5% of the Fund’s NAV will be invested in liquid assets for liquidity purposes.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Fund has changed its name from CIMB-Principal Australian Equity Fund to Principal Australian Equity Fund following the issuance of the Replacement Master Prospectus dated 17 April 2020.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

### (a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year.

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(k).

#### Standards, amendments to published standards or interpretation that are effective and relevant:

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 October 2019:

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income ("OCI") or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 October 2019 that have a material effect on the financial statements of the Fund.

There are no applicable standards, amendments to standards or interpretations that are effective for financial year beginning on/after 1 October 2020 to the financial statements of the Fund.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(b) Financial assets and financial liabilities**

#### Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income ("OCI").

The contractual cash flows of the Fund's debt securities are solely payment of principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager and amount due from Manager of collective investment scheme as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Financial assets and financial liabilities (continued)**

Recognition and measurement (continued)

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses ("ECL") using probability of default, exposure at default and loss given default. The Manager consider both historical analysis and forward looking information in determining any ECL. The Manager consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Financial assets and financial liabilities (continued)**

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

**(c) Foreign currency**

Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Malaysian Ringgit ("MYR"), which is the Fund's functional and presentation currency.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in MYR primarily due to the following factors:

- i) Units of the Fund are denominated in MYR
- ii) Significant portion of the Fund's expenses are denominated in MYR.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**(d) Income recognition**

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest rate method on an accrual basis.

Realised gain or loss on disposal of collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances which are subject to an insignificant risk of changes in value.

**(f) Management fee rebate**

Management fee rebate is derived from the Fund's investment in collective investment scheme on an accruals basis to ensure no double charging of management fee. It is accrued daily based on the fair value of the collective investment scheme held.

**(g) Taxation**

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial year.

Tax on dividend income from foreign collective investment scheme is based on the tax regime of the respective countries that the Fund invests in.

**(h) Amount due from Manager of collective investment scheme (sales of investment)**

Amounts due from Manager of collective investment scheme represent receivables for investments sold that have been contracted for but not yet settled or delivered on the statement of financial position date.

These amounts are measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from Manager of collective investment scheme at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Any contractual payment which is more than 90 days past due is considered credit impaired.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(i) Unit holders' contributions**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

### **(j) Realised and unrealised portions of profit or loss after tax**

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds.

### **(k) Critical accounting estimates and judgements in applying accounting policies**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgement are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund are as follows:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Total RM</b>
<b>2020</b>			
Cash and cash equivalents (Note 8)	-	129,263	129,263
Collective investment scheme (Note 7)	8,099,070	-	8,099,070
Amount due from Manager of collective investment scheme	-	59,144	59,144
	<u>8,099,070</u>	<u>188,407</u>	<u>8,287,477</u>
<b>2019</b>			
Cash and cash equivalents (Note 8)	-	188,297	188,297
Collective investment scheme (Note 7)	11,887,587	-	11,887,587
Amount due from Manager	-	4,519	4,519
	<u>11,887,587</u>	<u>192,816</u>	<u>12,080,403</u>

All liabilities are financial liabilities which are carried at amortised cost.

The Fund aims to achieve medium to long-term capital appreciation predominantly through investment in a portfolio of Australian securities.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and currency risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on Unit Trust Funds.

**(a) Market risk**

**(i) Price risk**

This is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deeds.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(a) Market risk (continued)**

**(i) Price risk (continued)**

The Fund's overall exposure to price risk was as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>8,099,070</u>	<u>11,887,587</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in price of collective investment scheme at the end of each reporting year. The analysis is based on the assumptions that the price of the collective investment scheme fluctuated by 5% with all the other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

<b>% Change in price of collective investment scheme</b>	<b>Market value RM</b>	<b>Impact on profit or loss/NAV RM</b>
<b>2020</b>		
-5%	7,694,116	(404,954)
0%	8,099,070	-
5%	<u>8,504,024</u>	<u>404,954</u>
<b>2019</b>		
-5%	11,293,208	(594,379)
0%	11,887,587	-
5%	<u>12,481,966</u>	<u>594,379</u>

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(a) Market risk (continued)**

**(ii) Currency risk**

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies of the Fund:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager of collective investment scheme RM	Total RM
<b>2020</b>				
AUD	<u>60,304</u>	<u>8,099,070</u>	<u>59,144</u>	<u>8,218,518</u>
<b>2019</b>				
AUD	<u>170,611</u>	<u>11,887,587</u>	<u>-</u>	<u>12,058,198</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange rate movements at the end of each reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuated by 5%, with all other variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2020 RM	2019 RM
	%		
AUD	+/- 5	<u>+/- 410,926</u>	<u>+/- 602,910</u>

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

For amount due from Manager, the settlement terms receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	<b>Cash and cash equivalents RM</b>	<b>Amount due from Manager of collective investment scheme RM</b>	<b>Total RM</b>
<b>2020</b>			
AAA	129,263	-	129,263
Not Rated	-	59,144	59,144
	<u>129,263</u>	<u>59,144</u>	<u>188,407</u>
	<b>Cash and cash equivalents RM</b>	<b>Amount due from Manager RM</b>	<b>Total RM</b>
<b>2019</b>			
AAA	188,297	-	188,297
Not Rated	-	4,519	4,519
	<u>188,297</u>	<u>4,519</u>	<u>192,816</u>

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and other instruments, which are capable of being converted into cash within 7 business days. The Fund's investment in collective investment scheme is realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<b>Less than 1 month RM</b>	<b>Between 1 month to 1 year RM</b>	<b>Total RM</b>
<b>2020</b>			
Amount due to Manager	62,401	-	62,401
Accrued management fee	8,275	-	8,275
Amount due to Trustee	566	-	566
Other payables and accruals	-	11,600	11,600
<b>Contractual undiscounted cash flows</b>	<b>71,242</b>	<b>11,600</b>	<b>82,842</b>
<b>2019</b>			
Amount due to Manager	1,031	-	1,031
Accrued management fee	11,995	-	11,995
Amount due to Trustee	794	-	794
Other payables and accruals	-	11,600	11,600
<b>Contractual undiscounted cash flows</b>	<b>13,820</b>	<b>11,600</b>	<b>25,420</b>

**(d) Capital risk management**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM4,379,120 (2019: RM6,974,118) and retained earnings of RM3,825,515 (2019: RM5,080,865). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.



**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(e) Fair value estimation**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets were the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine a point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

**(i) Fair value hierarchy**

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(e) Fair value estimation (continued)**

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2020</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	8,099,070	-	-	8,099,070
<b>2019</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	11,887,587	-	-	11,887,587

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents, amount due from Manager, amount due from Manager of collective investment scheme and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

**4. MANAGEMENT FEE**

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2020, the management fee is recognised at a rate of 1.80% per annum (2019: 1.80% per annum).

There is no further liability to the Manager in respect of management fee other than the amount recognised above.

**5. TRUSTEE FEE**

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.20% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fees (if any).

There are other fees indirectly incurred by a feeder fund such as annual custodian fees and transaction fees of the Target Fund. As such, Unit holders of a feeder fund are indirectly bearing the custodian fees and transaction fees charged at the Target Fund level. A dilution fee may be charged by the Target Fund manager if the size of the Fund's subscription/redemption exceeds the threshold of the Target Fund that resulted in a dilution adjustment to the Target Fund's NAV.

For the financial year ended 30 September 2020, the Trustee fee is recognised at a rate of 0.08% per annum (2019: 0.08% per annum).

There is no further liability to the Trustee in respect of Trustee fee other than the amount recognised above.

**6. TAXATION**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
- Current taxation	-	-

A numerical reconciliation between the (loss)/profit before taxation multiplied by the Malaysian statutory income tax rate and tax expense of the Fund is as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
(Loss)/Profit before taxation	(1,255,350)	214,428
Taxation at Malaysian statutory rate of 24%	(301,284)	51,463
Tax effects of:		
- Loss not deductible for tax purposes/(Income not subject to tax)	249,149	(111,204)
- Expenses not deductible for tax purposes	3,756	1,162
- Restriction on tax deductible expenses for Unit Trust Funds	48,379	58,579
Taxation	-	-

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
(formerly known as CIMB-Principal Australian Equity Fund)

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
At fair value through profit or loss:		
- Collective investment scheme	<u>8,099,070</u>	<u>11,887,587</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	87,628	39,055
- Unrealised fair value loss	(1,515,161)	(53,400)
- Management fee rebate #	58,125	73,260
	<u>(1,369,408)</u>	<u>58,915</u>

# Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of the collective investment scheme in which the Fund invests.

For the financial year ended 30 September 2020, the management fee rebate is recognised at a rate of 0.58% per annum (2019: 0.58% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

<b>Name of counter</b>	<b>Quantity</b>	<b>Aggregate</b>	<b>Market</b>	<b>Percentage</b>
	<b>Units</b>	<b>cost</b>	<b>value</b>	<b>of NAV</b>
		<b>RM</b>	<b>RM</b>	<b>%</b>
<b>2020</b>				
<b>COLLECTIVE INVESTMENT SCHEME</b>				
Schroder Australian Equity Fund	<u>275,932</u>	<u>8,755,944</u>	<u>8,099,070</u>	<u>98.71</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<b><u>275,932</u></b>	<b><u>8,755,944</u></b>	<b><u>8,099,070</u></b>	<b><u>98.71</u></b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>(656,874)</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u><u>8,099,070</u></u>		

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019</b>				
<b>COLLECTIVE INVESTMENT SCHEME</b>				
Schroder Australian Equity Fund	<u>351,483</u>	<u>11,029,300</u>	<u>11,887,587</u>	<u>98.61</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<b><u>351,483</u></b>	<b><u>11,029,300</u></b>	<b><u>11,887,587</u></b>	<b><u>98.61</u></b>
<b>ACCUMULATED UREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>858,287</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>11,887,587</u></b>		

**8. CASH AND CASH EQUIVALENTS**

	<b>2020</b> RM	<b>2019</b> RM
Bank balances	<u>129,263</u>	<u>188,297</u>

**9. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	29,263,917	33,112,822
Add : Creation of units from applications	12,737,875	13,767,672
Less : Cancellation of units	<u>(19,454,569)</u>	<u>(17,616,577)</u>
At the end of the financial year	<b><u>22,547,223</u></b>	<b><u>29,263,917</u></b>

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
(formerly known as CIMB-Principal Australian Equity Fund)

**10. MANAGEMENT EXPENSE RATIO (“MER”)**

	<b>2020</b>	<b>2019</b>
	%	%
MER	2.09	1.92

MER is derived based on the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E) \times 100}{F}$$

- A = Management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent’s fee
- E = Other expenses exclude withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM10,308,112 (2019: RM12,700,397).

**11. PORTFOLIO TURNOVER RATIO (“PTR”)**

	<b>2020</b>	<b>2019</b>
PTR (times)	0.38	0.47

PTR is derived based on the following calculation:

$$\frac{(\text{Total acquisition for the financial year} + \text{total disposal for the financial year}) \div 2}{\text{Average NAV of the Fund for the financial year calculated on a daily basis}}$$

where:

total acquisition for the financial year = RM2,728,242 (2019: RM5,256,317)

total disposal for the financial year = RM5,089,225 (2019: RM6,640,268)

**PRINCIPAL AUSTRALIAN EQUITY FUND**  
*(formerly known as CIMB-Principal Australian Equity Fund)*

**12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES**

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

<b>Manager</b>	<b>No. of units</b>	<b>2020 RM</b>	<b>No. of units</b>	<b>2019 RM</b>
Principal Asset Management Berhad	52,943	19,261	53,814	22,166

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

There were no significant related party transactions and balances at the end of each financial year other than those disclosed elsewhere in the financial statements.

**13. TRANSACTIONS WITH BROKERS/DEALERS**

Details of transactions with the brokers/dealers for the financial year ended 30 September 2020 are as follows:

<b>Brokers/Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Schroder Investment Management (S) Ltd	<u>7,473,859</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the brokers/dealers for the financial year ended 30 September 2019 are as follows:

<b>Brokers/Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Schroder Investment Management (S) Ltd	<u>11,478,165</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

**14. SIGNIFICANT EVENT DURING THE YEAR**

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial year.

The Manager continues monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

**15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 12 November 2020.



**DIRECTORY**

**Head Office of the Manager**

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(03) 7718 3000

**Trustee for the Principal Australian Equity Fund**

*(formerly known as CIMB-Principal Australian Equity Fund)*

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Fax: (03) 2179 6511

**Auditors of the Trusts and of the Manager**

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**Principal Asset Management Berhad**  
**199401018399 (304078-K)**

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